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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/610,828	07/06/2000	Kurt C. McCracken	12016-002001	5424

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EXAMINER

ROSEN, NICHOLAS D

ART UNIT	PAPER NUMBER
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3625

DATE MAILED: 04/28/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No. 09/610,828	Applicant(s) MCCRACKEN ET AL.	
	Examiner Nicholas D. Rosen	Art Unit 3625	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 28 March 2005.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-29 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-29 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☒ The drawing(s) filed on 06 July 2000 is/are: a) ☒ accepted or b) ☐ objected to by the Examiner.
 Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
 Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| 3) <input checked="" type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)
Paper No(s)/Mail Date <u>9/25/2003</u> . | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Claims 1-29 have been examined.

A request for continued examination under 37 CFR 1.114, including the fee set forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this application is eligible for continued examination under 37 CFR 1.114, and the fee set forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 CFR 1.114. Applicant's submission filed on March 28, 2005 has been entered.

Response to Traversal of Official Notice

Applicant, while not traversing all of Examiner's takings of official notice, has traversed Examiner's taking of official notice that it is well known to use a machine to (a) track each investor's basis in an investment entity, allocate each investor's basis in his interest in the investment entity among properties acquired by the investment entity, and (c) track the allocated basis of each investor as a result of a succession of transactions, as being what mutual funds do, with the use of machines (computers) obvious. In response, Examiner makes of record the article "Quick Study: Total Return," by Moreau. Moreau discloses mutual funds paying dividends and capital gains distributions, which implies tracking each investor's basis in his interest in the investment entity (mutual fund), to know how much to pay or distribute to which investor. Moreau discloses capital gains distributions "your share of the profits on the stock trades inside the fund," which implies allocating each investor's basis in his interest in the various stocks traded

inside the fund, to determine the appropriate capital gains (or losses) to be allocated to each investor as the result of a succession of transactions (stock trades). Moreau does not expressly disclose carrying out these steps using a computer, but does disclose a fund figuring total return with the help of a computer; it is hard to believe that a fund would use a computer for this, but not for tracking the various investors' bases in the fund, and the dividends and capital gains distributions due to them.

Also relevant to establishing the well-known character of the facts of which Examiner took official notice is the article, "The Taming of the Code," by Janet Novack. Novack discloses tracking an investor's taxable basis in each stock separately.

Also relevant to establishing the well-known character of the facts of which Examiner took official notice is the article, "Fidelity Lauds Stratus' Faithful Computing" (Abstract only), by Nichols. Nichols discloses the use of computer systems in pricing mutual funds by calculating net asset value, and also enabling investors to price their portfolios and carry out other inquiries and transactions by computer.

Applicant did not expressly traverse Examiner's taking of official notice in rejecting claim 8 that limitations on the amount of an investment which can be liquidated at one time are well known, but Applicant's traversal of Examiner's rejection of claim 29 can be interpreted as traversing that taking of official notice. Therefore, Examiner makes of record the anonymous articles, "Halifax Account Wrangle," and "SA Knocks Instant Access," and the article by Basara et al., "Taking Care of No. 1: Financial Planning." Note the paragraph beginning "Money Market Accounts" in Basara, and the paragraph beginning "Until recently" in "ASA Knocks Instant Access."

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

This application currently names joint inventors. In considering patentability of the claims under 35 U.S.C. 103(a), the examiner presumes that the subject matter of the various claims was commonly owned at the time any inventions covered therein were made absent any evidence to the contrary. Applicant is advised of the obligation under 37 CFR 1.56 to point out the inventor and invention dates of each claim that was not commonly owned at the time a later invention was made in order for the examiner to consider the applicability of 35 U.S.C. 103(c) and potential 35 U.S.C. 102(e), (f) or (g) prior art under 35 U.S.C. 103(a).

Claims 1-15 and 26-28

Claims 1-15 and 26-28 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), and official notice. As per claim 1, Ward discloses acquiring one or more properties from one or more investors in exchange for an interest in an investment entity, and discloses tax advantages of such investment entities (LLC's). Hitchings discloses using a machine to (e) identify properties appropriate for disposition (Abstract; paragraphs 3-5 and 11-17); and exchanging at least one of the identified properties that falls outside of an

investment profile for at least one other property in a tax-advantaged exchange (Abstract; paragraphs 3-5 and 11-17). Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to use a machine to identify properties appropriate for disposition, and exchange at least one such property that falls outside of an investment profile for at least one other property in a tax-advantages exchange, for the stated advantage of implementing functions such as reconciliation and reporting with greater efficiency and accuracy, and the obvious advantages of profiting by exchanging property judged to be likely to be less profitable for property judged likely to be more profitable, and reaping any benefits to be obtained from the tax laws in making such exchanges.

Official notice is taken that the remainder of the limitations of claim 1 are also well-known, and describe routine actions of businesses and property managers/developers: managers/developers routinely enhance the value of property by physical improvements; redeeming an interest of at least one of the investors in an investment entity at a value based on the current value is, for example, what investors in mutual funds routinely do; using a machine to (a) track each investor's basis in an investment entity, (b) allocate each investor's basis in his interest in the investment entity among properties acquired by the investment entity, and (c) track the allocated basis of each investor as a result of a succession of transactions is what mutual funds do. (At least, it is presumed by Examiner that late-20th century mutual funds with billions of dollars in assets, thousand of investors, and many complicated transactions, used machines [computers] well before Applicants' filing date, rather than employing

large numbers of scriveners to make the necessary calculations on paper with quill pens.) Hence, it would have been obvious to one of ordinary skill in the art of finance at the time of applicant's invention to use a machine to use a machine to carry out these steps, for the obvious advantage of efficiently carrying out the necessary functions for tracking investments and returning appropriate sums to investors in the forms of dividends, redemptions of shares, etc.

As per claims 2, 3, and 4, these are simply common types of real estate in which it is well known to invest.

As per claims 5 and 6, these are indications that a property may be a good investment, obvious to one of ordinary skill in the art of finance.

As per claim 7, Ward discloses this, as set forth above with regard to claim 1.

As per claim 8, limitations on the amount of an investment which can be liquidated at one time are well known, making the claim obvious.

As per claim 9, refurbishment of property to obtain higher rents or sales prices is well known and obvious.

As per claim 10, attempting to enhance the value of property by improved management is well known and obvious.

As per claims 12 and 13, and claims 14 and 15, refer to rejections of parallel claims 5 and 6 above.

As per claim 26, it is well known for the values of interests to be based on the current value. For the value of an interest to be unrelated to the current value (which, after all, would normally reflect expected future values) would be the exception.

As per claim 27, it is well known for the redeeming of interests by investors to occur at times determined at least in part by the investors, as, for example, when an investor sells shares of stock, shares in a mutual fund, real estate that an investor puts up for sale, etc.

As per claim 28, Ward discloses limited liability companies at length (and also mentions partnerships).

Claims 16-25

Claims 16-25 are rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), and official notice. Claim 16 is essentially parallel to claim 1 (which does not expressly disclose a management entity, but such an entity is inherent from the disclosed actions, which constitute management). Also, it is well known to record and analyze investments; any sort of investment entity run with very minimal competence does this, and it is typically done with the use of a machine (computer).

Claims 17, 18, 19, 20, 21, 22, and 23 are essentially parallel to claims 2, 3, 4, 5, 6, 7, and 8, respectively, and rejected on the grounds set forth above.

As per claim 24, Ward discloses that the management entity can be the same as the investment entity (see sections headed "MANAGER or MANAGERS [*sic*]" and "MANAGEMENT PROVISIONS").

As per claim 25, Ward discloses that the investment entity can receive cash contributions (see section headed "CAPITAL CONTRIBUTION").

Claim 29

Claim 29 is rejected under 35 U.S.C. 103(a) as being unpatentable over Ward ("An Overview of Limited Liability Companies") in view of Hitchings (U.S. Patent Application Publication 2002/0143673), and official notice. Claim 29 is essentially parallel to claim 1 with claim 8 included, and rejected on essentially the same grounds set forth above with regard to those claims.

Response to Arguments

Applicant's arguments filed March 28, 2005 have been fully considered but they are not persuasive. First, Applicant responded to Examiner's requirement for a new oath/declaration, pointing out that the signed declarations of December 8, 2000, were in compliance with the requirements of the law and regulations. Examiner acknowledges that this is correct, and withdraws the requirement for a new oath/declaration. (Examiner found the defective declaration of July 6, 2000, and apparently failed to note the later, and proper, declaration of December 2000.)

Applicant has also requested that Examiner review the IDS of September 25, 2003, which Examiner has now done (although the documents listed on that IDS appear to date to well after Applicant's filing date). (The present examiner inherited the application from another examiner who has left the Patent Office, and the IDS may have passed unreviewed as a result.)

Regarding the substance of Applicant's arguments, Applicant traverses some of Examiner's takings of official notice; Examiner has made art of record to support these takings of official notice, as set forth above.

Next, Applicant argues that if all of the elements of claim 1 are not found in a single reference, there must have been some suggestion in the prior art to combine the elements that are found in different references. In response to Applicant's argument that there is no suggestion to combine the references, the Examiner recognizes that obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. See *In re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988), and *In re Jones*, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992). In this case, Examiner set forth statements of motivation in rejecting claim 1, specifically, in combining Hitchings with Ward, Examiner referred to the stated advantage of implementing functions such as reconciliation and reporting with greater efficiency and accuracy (which echoes the words of Hitchings, in paragraph 17), and the obvious advantages of profiting by exchanging property judged to be likely to be less profitable for property judged likely to be more profitable, and reaping any benefits to be obtained from the tax laws in making such exchanges. It is well known that exchanging property judged likely to be less profitable for property judged likely to be more profitable, and reaping benefits to be obtained from the tax laws are strong motivations to persons of ordinary skill in the art of finance; the first is established by the existence of huge markets for stocks, investment real estate, and other forms of property, and by the existence of industries of financial analysts, advisors, publications on how to invest profitable, etc.; the second by the huge market for tax advice, guidance on how to

structure investments and transactions, etc., so as to avoid unnecessary taxes, as well as by the existence of lobbies seeking to retain, expand, or create provisions of the tax code favorable to particular activities or classes of persons.

In concluding that it would have been obvious to one of ordinary skill to use a machine to carry out certain steps, Examiner referred to the "obvious advantage of efficiently carrying out the necessary functions for tracking investments and returning appropriate sums to investors in the forms of dividends, redemptions of shares, etc." Ward (the primary reference) discloses that LLC's may make distributions and allocations among their members (see especially paragraph under "Disproportionate Distributions"), and it is hard to imagine what the purpose of these LLC's might be if they did not track investments and return appropriate sums to investors. Ward does not disclose the use of machines (presumably computers) to carry out steps of the method recited in claim 1, but the articles by Moreau, Novack, Nichols, and others disclose the use of computers by mutual funds, confirming Examiner's presumption that funds with billions of dollars in assets, thousand of investors, and many complicated transactions, used machines [computers] well before Applicants' filing date, rather than employing large numbers of scribes to make the necessary calculations on paper with quill pens.) Schwartzman, for example, writes, "Computer calculations replace paper and pens, which also cuts down on time and errors." The motivation of using computers to perform calculations which unaided humans could not perform in reasonable time, or without much greater risk of errors, or which it would be far more expensive to hire human beings to perform without computers, is held to be obvious to one of ordinary

skill in the art of finance; were it not so, recent decades would not have seen so much expansion of the use of computers in finance as well as in so many other areas of life. It may be noted that several of the references now made of record are from "Wall Street Computer Review;" the existence of a publication with such a title, dating back at least to 1987, is in itself strongly suggestive that using computers to carry out operations in the field of finance is well known, and motivation to do so would have been found in the knowledge generally available to one of ordinary skill in the art. Moreover, another article was published in "Wall Street & Technology."

Next, Applicant argues that no one ever thought to combine the elements as set forth in claim 1 even though there were advantages to be gained by doing so. Examiner replies that if that were sufficient to establish patentability, then nothing could be rejected as obvious under 35 U.S.C. 103, but only as anticipated under 102. Specifically, Applicant argues the invention of claim 1 enables multiple investors to cooperate to achieve economies of scale that produce good returns. Examiner replies that Ward discloses this, along with some other advantages listed by Applicant, such as maximizing tax advantages, while other advantages are obvious from other art, e.g., tax basis tracking, which is taught by the anonymous articles, "Technology Review," and "Putnam's New Average Cost Basis . . .," made of record in response to Applicant's challenge of certain takings of official notice. Furthermore, it is not clear how these alleged advantages are uniquely achieved by the method as recited in claim 1, and the alleged advantages are surely not claim limitations.

With regard to claim 29, Applicant disagrees with examiner's assertion that claim 29 is essentially parallel to claim 1 with claim 8, and asks the examiner to explain where all of the specific elements of claim 29 are found in the prior art. To keep down the length of the Office Action, Examiner does not make a habit of writing separate rejections of parallel claims. Examiner notes that Applicant does not point out any limitation of claim 29 not essentially parallel to the limitations of claim 1 in combination with its dependent claim 8. The question, therefore, is whether the limitation that the redemption of interests of investors is limited at any one time to a predetermined portion of a value of the properties held by the investment entity, or controlling the rate of redemptions to reduce the need to divest properties at depressed values to fund the times (when interests are redeemed) makes the claimed invention patentable. Examiner holds that it does not, because limitations on withdrawals or liquidations of investments are known and motivated. In particular, the article "Halifax Account Wrangle," made of record in response to Applicant's traversal, discloses a building society limiting the amounts that a depositor may withdraw. As this policy appears to have displeased the depositor, suggesting, according to the article, that building society was less competitive against banks as a result of the policy, the reasonable presumption is that it would not have been enforced if it were not to the building society's advantage in other ways, such as avoiding having to liquidate assets in inconvenient fashion, or borrow by interbank loan, to accommodate a depositor's desire for substantial withdrawals on his own schedule. Thus, the prior art not only supports the phenomenon of which official notice was taken, but is suggestive of a motivation.

Conclusion

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure. Nichols ("Fidelity Lauds Stratus' Faithful Computing" [Abstract only]) discloses the use of computer systems to price mutual funds, and conduct other transactions and inquiries. Radding ("Mutual Fund Accounting Software Tackles the Globe") discloses the use of computers in mutual fund accounting. The anonymous article, "PUTNAM COS: Putnam's New Average Cost Basis Statement to Make Shareholder Job Easier at Tax Time," discloses computing the cost basis of mutual fund shares. Schwartzman ("Fidelity's Formula: Technology Keeps Customers Happy") discloses computer calculations replacing paper and pens, cutting down on time and errors. The anonymous article, "Halifax Account Wrangle," discloses a building society limiting the amount that members may withdraw in any month. The anonymous article, "Your Money Total Return Is Better Gauge of Mutual Fund Performance," discloses that the calculation of total return in a mutual fund is best left to computers. Burger ("On-line Offshore") discloses that a mutual fund has been upgrading its personal computers. The anonymous article, "Technology Review," discloses computer systems for financial and tax tracking. Moreau ("Quick Study: Total Return") discloses tracking investors' dividends, capital gains distributions, etc. Basara et al. ("Taking Care of No. 1: Financial Planning") discloses that money market accounts generally pay higher interest rates than savings accounts, but sometimes the limit and amount of withdrawals (paragraph beginning, "Money market accounts"). The anonymous article, "ASA Knocks Instant Access," discloses accounts where only a limited amount of cash can be

withdrawn at a time (paragraph beginning "Until recently"). Sutter ("Distribution of Mutual Fund 1099s Improved; More Changes Considered") discloses mutual funds calculating and processing distributions to shareholders. Novack ("The Taming of the Code") discloses a quasi-mutual fund service which tracks an investor's taxable basis in each stock separately.

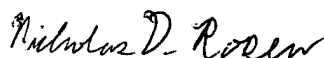
This is a Request for Continued Examination of applicant's earlier Application No. 09/610,828. All claims are drawn to the same invention claimed in the earlier application and could have been finally rejected on the grounds and art of record in the next Office action if they had been entered in the earlier application. Accordingly, **THIS ACTION IS MADE FINAL** even though it is a first action in this case. See MPEP § 706.07(b). Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire **THREE MONTHS** from the mailing date of this action. In the event a first reply is filed within **TWO MONTHS** of the mailing date of this final action and the advisory action is not mailed until after the end of the **THREE-MONTH** shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no, however, event will the statutory period for reply expire later than **SIX MONTHS** from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Nicholas D. Rosen whose telephone number is 571-272-6762. The examiner can normally be reached on 8:30 AM - 5:00 PM, M-F.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Wynn Coggins can be reached on 571-272-7159. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306. Non-official/draft communications can be faxed to the examiner at 703-746-5574.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).


NICHOLAS D. ROSEN
PRIMARY EXAMINER

April 19, 2005